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**ANNUAL  
REPORT  
1966**





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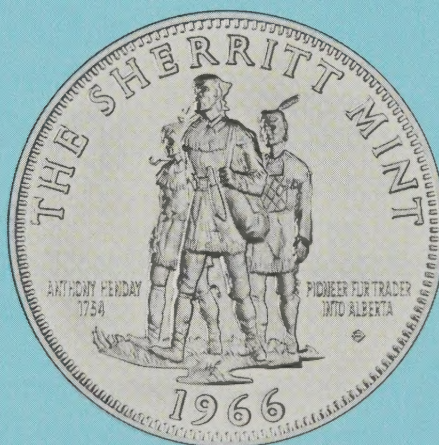
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## SHERRITT GORDON MINES LIMITED

ANNUAL REPORT 1966



MEDALLION  
MINTED IN THE SHERRITT MINT,  
FORT SASKATCHEWAN.

**ANNUAL MEETING:** — The Annual Meeting of the Shareholders will be held on Thursday, the 27th day of April, 1967 at 2:30 o'clock in the afternoon, The Royal York Hotel (The Library), Toronto, Ontario.



# SHERITT GORDON MINES LIMITED

## Directors

M. D. BANGHART	V. N. MACKIW
ELDON L. BROWN	PLATO MALOZEMOFF
W. E. P. DEROCHE	DAVID D. THOMAS
JOHN DRYBROUGH	J. E. THOMPSON
ALAN E. GALLIE	

## Officers

ELDON L. BROWN,	<i>President and Managing Director</i>
JOHN DRYBROUGH,	<i>Vice-President</i>
W. H. YOUNG,	<i>Vice-President</i>
R. GORDON MACKAY,	<i>Vice-President and Secretary</i>
DAVID D. THOMAS,	<i>Treasurer</i>
BRUCE I. WATSON,	<i>Comptroller and Assistant Treasurer</i>

## Auditors

DELOITTE, PLENDER, HASKINS & SELLS, TORONTO

## Solicitors

BLAKE, CASSELS & GRAYDON, TORONTO

## Transfer Agents

EASTERN & CHARTERED TRUST COMPANY, CANADA  
MORGAN GUARANTY TRUST COMPANY OF NEW YORK

## Bankers

CANADIAN IMPERIAL BANK OF COMMERCE, TORONTO  
MORGAN GUARANTY TRUST COMPANY OF NEW YORK

# REPORT OF THE DIRECTORS

To the Shareholders,  
Sherritt Gordon Mines Limited.

This report, including the audited financial statements for the year 1966, is submitted for your consideration.

A summary comparison of the year's operations with those of the previous year indicates that production (except at Lynn Lake), sales and costs were all higher and earnings were lower.

New all-time highs were recorded in

Cobalt production and sales

Copper sales revenue

Nickel production (excluding toll nickel) and nickel sales

Fertilizer production and sales

## SALES

		1966	1965
Nickel	pounds	28,523,269	27,184,549
Copper	pounds	11,462,111	14,400,131
Cobalt	pounds	737,283	487,440
Fertilizers	tons	261,444	230,414

In addition, 13,029,200 pounds of our nickel briquettes were bought back from the United States Government stockpile and sold to our customers. Sales of special powders were at a record level, but sales of coinage blanks were substantially lower than those of the previous year.

The price of nickel was increased by 7.5¢ U.S. per pound early in November. This

increase was not nearly sufficient to cover the increase in our production cost since 1961, the time of the last price increase.

Fertilizer sales in Canada were at a satisfactory level, but prices were lower than those of the previous year as a result of competitive price-cutting. Off-shore export sales of nitrogenous fertilizers were below normal due to strikes in Vancouver preventing shipments.

## PRODUCTION

		1966	1965
Nickel	pounds	29,472,869	25,790,422
Copper	pounds	11,384,450	12,391,743
Cobalt	pounds	790,597	530,137
Fertilizers	tons	303,465	214,281

In addition, 49,172 pounds of nickel were produced in 1966 on a toll basis.

The decline in copper production was due entirely to the reduced output of ore at Lynn

Lake. Feed purchased for the refinery contains negligible copper.



## EARNINGS AND DIVIDENDS

	1966	1965
Revenue from sales .....	\$44,307,000	\$39,311,000
Profit before write-offs .....	8,194,000	9,829,000
Net profit .....	3,760,000	5,397,000
Net profit per share .....	33¢	48¢
Dividends per share .....	20¢	20¢

In order to avoid distortion of the figures for the year the proceeds from the sale of the nickel briquettes bought back from the United States Government stockpile were excluded from the above revenue from sales.

The reduction in earnings is due to a number of factors, the major ones being as follows:

Increased wage costs which were not accompanied by increased productivity.

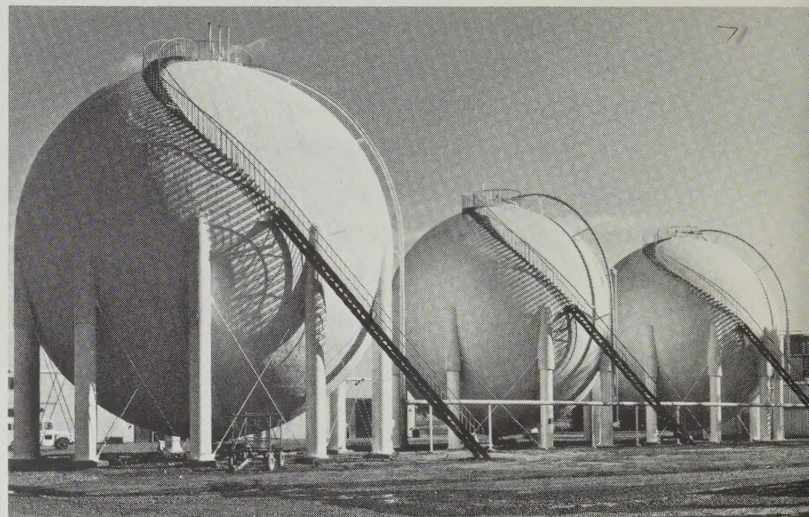
Lower production at Lynn Lake without corresponding reduction in the overall operating cost.

Low production of ammonia and urea during the first six months of the year due to faulty equipment in the ammonia plant.

The loss of off-shore export sales of fertilizer due to strikes in Vancouver preventing shipments.

## LYNN LAKE OPERATIONS

A total of 1,205,318 tons of ore was mined and milled in 1966 as compared to 1,363,583 tons in 1965. The decline came entirely in the last half of the year when the tonnage mined and milled was 159,899 tons below that of the corresponding period of 1965. The mill treated an average of 3,779 tons per calendar day during the first six months of the year and 2,834 tons per day during the last six months. The average for the year was 3,302 tons per



AMMONIA STORAGE SPHERES

Increased research expense resulting largely from our work on laterite ores.

Increased outside exploration expenditures due to our expenditures in Guyana.

Increased interest charges arising from the fertilizer expansion financing.

calendar day compared to 3,736 tons the previous year. The grade of the mill feed was slightly higher than the average grade of the ore reserve.

The shortage of experienced miners made it impossible for us to do as much development work as planned. A summary of the footage of development work completed during the past four years is as follows:

	1963	1964	1965	1966
Drifting and cross-cutting .....	14,843	15,546	17,550	14,940
Raising .....	4,241	4,222	5,784	4,093
Shaft sinking .....	793	169	347	1,159
Diamond drilling .....	160,260	134,919	122,423	122,985



The search for new ore was concentrated largely in the south end of the A plug below the 2,000' level.

It is unlikely that the mine at Lynn Lake will again be able to maintain the annual tonnages mined and milled during the past seven years. During this period we were mining orebodies above the 2,000' level with a substantial portion of the ore coming from above the 1,000' level. The orebodies were relatively close to the shafts and required a minimum amount of development to open them up for mining. In several previous reports reference has been made to the fact that the tonnage of ore per foot of depth reached a maximum at about the 500' horizon and has diminished with increasing depth to the 3,000' level. Also the new orebodies which have been found on or below the 2,000' level are more remote from the shafts, necessitating winzes below the 2,000' level and a new ventilation shaft from the 2,000' level to the surface. The chronic shortage of suitable labour for underground

work in the more remote Canadian mining areas, such as Lynn Lake, has made it difficult to do the increased amount of development work necessary to open up these new orebodies. The appended diagrammatic longitudinal vertical section of the A plug illustrates the location of the various orebodies with relation to each other and to the shafts.

With about ten years' ore in sight the long-term future of the mine would appear to depend upon finding additional ore in the south end of the A plug, below the 3,000' level. This is the area in which the O and N zones are located. The grade of the O orebody appeared to be improving with increasing depth when it was cut off by a major fault about 500 feet below the 3,000' level. The faulted portion of this orebody has not yet been located, but diamond drilling from the 3,000' level suggests a much greater vertical displacement than originally anticipated, being in the order of at least 1,500 feet. This means that the faulted portion is probably below the 5,000' horizon.





## LYNN LAKE ORE RESERVE

A substantial tonnage of low grade ore was outlined in the O zone above the O fault. On the other hand, an equivalent tonnage in ten separate areas was dropped from the reserve as being no longer economic due to the amount of development work required for its extraction. The net result was that the ore reserve was reduced by the tonnage mined during the year. The ore reserve at year end was calculated at 11,400,000 tons averaging 0.84% nickel and 0.47% copper, as compared to 12,600,000 tons averaging 0.84% nickel and 0.49% copper a year ago. Diamond drilling in the N zone below the 3,000' level has indicated several million tons of marginal grade material which cannot be classed as ore under current conditions. To mine this material would require deepening the Farley shaft another 1,000 feet and opening up the 4,000' level. To justify the expenditure involved it would be necessary to prove a substantially greater tonnage of this marginal material, or to locate new orebodies between the 3,000' and 4,000' levels. Exploration diamond drilling is continuing in the hope of achieving this objective.

## FOX LAKE

A five-compartment shaft, a duplicate of the A shaft at Lynn Lake, was started during the summer and sunk to a depth of 40 feet. A concrete collar was poured and a sinking head-frame erected. The mining plant from the EL mine was transported to Fox Lake and re-erected. Two 500 kw. diesel-driven generators were installed to provide power for the sinking and development program. Camp buildings were erected, complete with water supply and sewage disposal systems.

A shortage of construction labour has delayed the completion of this plant. However, a contract has been let for the sinking of the shaft to a depth of 2,350 feet and sinking will be in progress by the beginning of March.

A portion of the orebody was stripped off and about 1,000 tons of ore will be quarried and transported to Lynn Lake for test purposes. Copper, zinc and pyrite concentrates will be produced from this ore and the pyrite concentrate will be shipped to Fort Saskatchewan for use in the development of our pyrite treatment process. As no additional drilling was done during the year the Fox Lake ore reserve remains unchanged at 12,269,000 tons averaging 1.74% copper and 2.35% zinc.



COMPANY'S GEOPHYSICAL AIRCRAFT

## OUTSIDE EXPLORATION

Our concession areas in Guyana were flown by our airborne geophysical outfit and airborne anomalies were checked by ground E.M. and geochemical surveys. Five anomalies were subsequently checked by diamond drilling with disappointing results. Laterites were sampled by auger drilling, but nickel values were too low to be of interest. Field work was completed by the end of the year and the concession areas abandoned.



Sufficient flying with our airborne outfit was done in northern Saskatchewan to keep our follow-up parties busy throughout the field season. A number of anomalies were located and checked by diamond drilling but nothing of economic interest was found.

## FORT SASKATCHEWAN OPERATIONS

Nickel production was almost 15% above that of the previous year, but was still below the capacity of the refinery, being limited by the amount of feed available. Cobalt production showed an increase of approximately 49% as a result of the full year's operation of the grindings treatment plant. The metal plant operated continuously throughout the year, except for the annual maintenance shutdown in July.

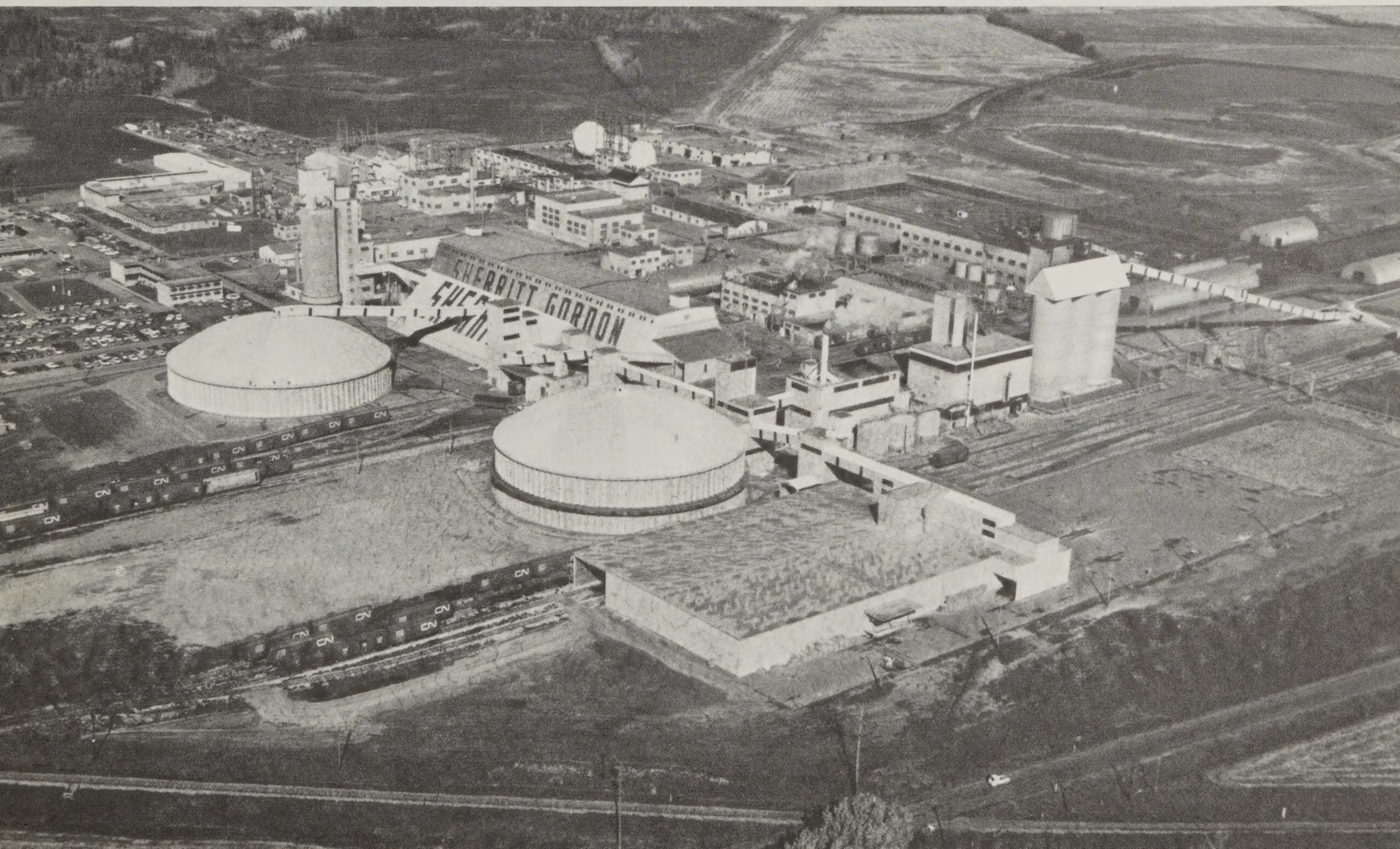
The powder rolling and coinage plant operated on a considerably reduced scale due to an easing of the demand for coinage blanks. Advantage was taken of the slack period to work out a satisfactory technique for continuous rolling on one of the production lines. A

minting press was installed and the plant is now completely equipped for the production of either coinage blanks or minted coins or medallions.

Fertilizer production was about 42% higher than in 1965 in spite of the fact that the ammonia and urea plants were operating at reduced rates for the first six months of the year. During the shut-down period in July extensive modifications and corrections were made in the ammonia plant which resulted in attaining the designed capacity during the third quarter. However, certain sections of this plant, including the centrifugal air compressor, are not yet satisfactory and modifications are currently being designed by the suppliers.

## RESEARCH AND DEVELOPMENT

A new building was provided for the Research and Development Division. The old buildings formerly occupied by this division were turned over to the Metal and Chemical Division, which is adapting them to provide needed additional analytical laboratory and office space.





In our previous laterite pilot plant operation in 1963 and 1964 we used a sulphuric acid process which we had developed and patented. At that time the process looked very attractive, but in view of the rising price of sulphur it was considered advisable to investigate processes using ammonia in place of sulphuric acid. A modified ammonia leach process was developed which was piloted on a scale of up to three tons of ore per day during the last three quarters of the year. The nickel laterite feed for this plant was supplied by Société Le Nickel from their mines in New Caledonia. The results of this pilot plant operation were very satisfactory and we now have a process which we are satisfied can produce pure nickel metal from laterites at a cost comparable to the current cost of producing nickel from sulphide ores. The greatest known reserves of nickel are contained in lateritic ores, consequently our new process could be a major break-through.

We have made an agreement with the Lamp Division of General Electric Company for a joint market development program for dispersion-strengthened nickel and dispersion-strengthened nickel chromium alloys. The powders for the production of these materials are being produced at Fort Saskatchewan and the fabrication is being done in General Electric Company's plant in Cleveland, Ohio.

Work on the development of dispersion-strengthened nickel alloys was carried on throughout the year under a contract with the Defence Research Board, with the full financial support of the Canadian Government and the United States Air Force.

Considerable experimental work was done with a view to determining the best method of utilizing pyrite from Fox Lake to provide the sulphur required for our fertilizer operations and to produce an iron residue suitable for use as iron ore.

A leaching process for the recovery of copper and elemental sulphur from chalcopyrite was developed on a laboratory scale.

A pilot plant was built for the development of new fertilizer products. One new nitrogen fertilizer (Nitro-pluS) has already been developed and has met with a good reception in western Canada.



FERTILIZER RESEARCH LABORATORY

## CAPITAL EXPENDITURES

The following is a summary of 1966 capital expenditures:

### Lynn Lake

Improvement and additions to plant and townsite .....	\$ 855,000
Mine development in excess of amount charged to operating .....	453,000
Development of Fox Lake property .....	981,000

### Fort Saskatchewan

Improvements and additions to chemical plants including fertilizer expansion program .....	2,228,000
Improvements and additions to metal plants and general facilities .....	124,000
Additions to rolling mill, coinage and minting facilities .....	979,000
New research building and equipment .....	758,000
Patents .....	41,000

Total .....	<u>\$6,419,000</u>
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## PERSONNEL

At the end of the year the Company had a total of 1,622 employees as compared to 1,650 at the end of 1965. The distribution of these employees, with comparable figures for the previous year, is as follows:

	1966	1965
Lynn Lake . . . . .	651	673
Fort Saskatchewan		
Metal and Chemical . . . . .	802	789
Powder rolling and coinage . . . . .	26	66
Research and Development . . . . .	92	82
Executive Office — Toronto . . . . .	19	15
Marketing Division		
Metals — Toronto . . . . .	15	15
Fertilizers — Edmonton . . . . .	17	10

At Lynn Lake a one-year contract was negotiated with Local 5757, United Steelworkers of America. A general wage increase of 5% was made, retroactive to March 1, 1966, and skilled tradesmen received a further increase of 5¢ per hour retroactive to the same date. Fringe benefits, chiefly in the form of increased holiday allowances, brought the total cost of the settlement up to 36¢ per hour. This settlement brought our wage rates into line with those at Thompson and Flin Flon and resulted in a substantial increase in operating costs at Lynn Lake.

At Fort Saskatchewan, although our contract with Local 530 of International Chemical Workers' Union runs to April 30, 1967, certain wage increases were granted, particularly to skilled tradesmen, in order to keep our wage rates in line with others in the area.

## GENERAL

The outlook for the year 1967 is rather spotty. Nickel is currently in short supply and will probably continue so throughout the year. Our production will be lower than in 1966 due to reduced output from Lynn Lake. However, the average price of nickel will be higher in

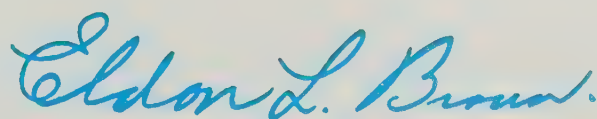
1967 than in 1966 and we anticipate increased sales of special powders and other forms of nickel, which will also tend to increase our average nickel price. The copper and cobalt situation is confused due to developments in the Congo and to releases from the United States Government stockpile.

The demand for fertilizers in western Canada should be good, but the building of a large new fertilizer complex at Brandon, Manitoba, financed largely by loans from the Manitoba Government, has created a total productive capacity in western Canada considerably in excess of current demand. As a result, more fertilizer will have to be sold in the export field where the return is lower due to the added cost of getting the material to the market.

At the end of the year Mr. M. D. Banghart tendered his resignation as a Director of the Company. Mr. Banghart served as a Director from 1955 and his sound judgment and thorough knowledge of mining will be greatly missed by the Board.

The Directors wish to express their appreciation of the loyal and efficient services rendered throughout the year by all the Company's employees.

On behalf of the Board,



President and Managing Director.

Toronto, Ontario, February 27, 1967.



## BALANCE SHEET

(with comparative figures for 1965)

## ASSETS

CURRENT	1966	1965
Cash .....	\$ 161,173	\$ 2,417,664
Accounts receivable — trade .....	6,921,277	9,901,189
— other .....	881,713	403,528
Inventory of raw materials, materials in process and finished products — finished metals sold under contract valued at net realizable value, other materials and products valued at lower of average cost and net realizable value .....	9,370,020	8,565,572
Operating supplies, spare parts and other materials valued at average cost .....	3,388,652	2,723,104
Insurance and other prepaid items .....	83,521	74,744
	<u>20,806,356</u>	<u>24,085,801</u>
NON-CURRENT		
Housing loans due from employees .....	645,103	698,280
Special refundable tax .....	242,300	—
	<u>887,403</u>	<u>698,280</u>
PROPERTY, PLANT AND EQUIPMENT, at cost		
Mine — Lynn Lake .....	17,401,332	16,566,463
Power — Laurie River .....	8,590,068	8,572,952
Metal and Chemical — Fort Saskatchewan .....	64,350,512	60,275,152
	<u>90,341,912</u>	<u>85,414,567</u>
Less accumulated depreciation .....	35,180,594	30,859,801
	<u>55,161,318</u>	<u>54,554,766</u>
Mining claims less amounts written off .....	36,382	40,229
	<u>55,197,700</u>	<u>54,594,995</u>
DEFERRED DEVELOPMENT EXPENDITURES		
Unamortized mine development and metallurgical research .....	8,567,332	8,278,899
OTHER		
Deferred development — Fox Lake property .....	1,542,575	561,742
Investment in subsidiary and other companies at cost less amounts written off (note 2) .....	191,134	137,500
Patents at cost less amounts written off .....	803,665	868,227
	<u>2,537,374</u>	<u>1,567,469</u>
	<u>\$87,996,165</u>	<u>\$89,225,444</u>



# MINES LIMITED

Corporations Act, Ontario

DECEMBER 31, 1966

(figures for 1965)

## LIABILITIES

CURRENT	1966	1965
Accounts payable and accrued .....	\$ 5,204,546	\$ 7,792,329
Mining royalty and income taxes payable (note 3) .....	4,415	39,147
Canadian National Railways due May 1, 1967 (note 4) ....	350,000	350,000
First Mortgage Bonds (note 6)		
4¾ % Sinking Fund Bonds —		
payment due May 1, 1967 ..... (1,956,700 U.S.)	2,121,185	2,104,064
5½ % Sinking Fund Bonds —		
payment due December 31, 1967 .... (1,200,000 U.S.)	1,300,875	—
6¾ % unsecured note payable		
December 31, 1967 (note 5) ..... (1,350,000 U.S.)	1,463,484	1,774,266
Unclaimed dividends .....	105,095	97,666
	<u>10,549,600</u>	<u>12,157,472</u>
NON-CURRENT (note 5)		
6¾ % unsecured note payable		
December 31, 1968 ..... (1,350,000 U.S.)	<u>1,451,250</u>	<u>1,451,250</u>
FIRST MORTGAGE BONDS (note 6)		
4¾ % Sinking Fund Bonds due		
May 1, 1968 ..... ( 1,956,700 U.S.)	1,916,577	3,833,154
5½ % Sinking Fund Bonds due		
December 31, 1972 ..... (16,600,000 U.S.)	17,863,783	17,109,672
	<u>(18,556,700 U.S.)</u>	<u>20,942,826</u>
CAPITAL AND SURPLUS		
Capital (note 7)		
Authorized		
12,000,000 shares par value \$1.00 per share		
Issued and fully paid		
11,363,318 shares .....	11,363,318	11,351,318
Contributed surplus		
Net premium on sale of shares .....	10,538,927	10,496,927
	<u>21,902,245</u>	<u>21,848,245</u>
Earned surplus .....	34,312,710	32,825,651
	<u>56,214,955</u>	<u>54,673,896</u>
Approved by the Board:		
ELDON L. BROWN, Director		
DAVID D. THOMAS, Director		
	<u>\$87,996,165</u>	<u>\$89,225,444</u>

egral part of the financial statements.



## STATEMENT OF PROFIT AND LOSS

*for the year ended December 31, 1966 (with comparative figures for 1965)*

	1966	1965
REVENUE FROM SALES .....	\$44,306,597	\$39,311,146
Cost of sales .....	32,229,633	27,242,206
GROSS PROFIT FROM SALES .....	12,076,964	12,068,940
Research expense .....	925,405	573,922
Outside exploration expenditures .....	338,187	167,570
Administrative and selling expense .....	1,158,445	982,110
	2,422,037	1,723,602
OPERATING PROFIT .....	9,654,927	10,345,338
Interest expense, less interest income of \$128,745 .....	1,341,362	431,060
Mining royalty and income taxes (note 3) .....	120,000	85,000
	1,461,362	516,060
PROFIT BEFORE WRITE-OFFS AND OTHER CHARGES .....	8,193,565	9,829,278
Depreciation and other write-offs .....	4,260,545	4,332,092
	3,933,020	5,497,186
Other non-operating charges — net .....	173,298	100,643
NET PROFIT FOR THE YEAR TRANSFERRED TO EARNED SURPLUS	\$ 3,759,722	\$ 5,396,543

## STATEMENT OF EARNED SURPLUS

*for the year ended December 31, 1966 (with comparative figures for 1965)*

	1966	1965
BALANCE AT BEGINNING OF THE YEAR .....	\$32,825,651	\$29,699,372
Net profit for the year .....	3,759,722	5,396,543
	36,585,373	35,095,915
Dividends paid — 20¢ per share .....	2,272,663	2,270,264
BALANCE AT END OF THE YEAR .....	\$34,312,710	\$32,825,651

*The accompanying notes are an integral part of the financial statements.*



## STATEMENT OF SOURCE AND USE OF FUNDS

*for the year ended December 31, 1966 (with comparative figures for 1965)*

FUNDS WERE OBTAINED FROM	1966	1965
Operations for the year		
Net profit .....	\$ 3,759,722	\$ 5,396,543
Depreciation and other amounts deducted in arriving at net profit but which did not involve an outlay of funds .....	4,892,314	4,310,083
	8,652,036	9,706,626
Issue of 5½% First Mortgage Sinking Fund Bonds due 1972 .....	2,045,469	9,280,422
Issue of 6% unsecured notes payable 1966 and 1967 ...	—	3,225,000
Issue of capital stock .....	54,000	81,000
Net proceeds from investment transactions .....	—	4,207
	10,751,505	22,297,255
Decrease in working capital .....	1,671,573	1,443,721
	\$12,423,078	\$23,740,976
 FUNDS WERE USED FOR		
Expenditures on capital and deferred assets		
Lynn Lake mine plant and development costs including power, townsite facilities and employee housing .....	\$ 1,307,758	\$ 363,204
Fort Saskatchewan metal and chemical plants including research facilities .....	4,089,310	16,834,202
Acquisition of patents .....	41,011	40,672
Deferred expenditures on development of Fox Lake property .....	980,833	343,298
	6,418,912	17,581,376
Reduction in long-term indebtedness .....	3,438,944	3,889,336
Dividends paid .....	2,272,663	2,270,264
Special refundable tax .....	240,000	—
Advances to subsidiary and other companies .....	52,559	—
	\$12,423,078	\$23,740,976
 WORKING CAPITAL		
Balance at beginning of the year .....	\$11,928,329	\$13,372,050
Less decrease during the year .....	1,671,573	1,443,721
Balance at end of the year .....	\$10,256,756	\$11,928,329

*The accompanying notes are an integral part of the financial statements.*



# Sherritt Gordon Mines Limited

## NOTES TO FINANCIAL STATEMENTS

1. **CONVERSION OF FOREIGN CURRENCIES.** Transactions in foreign currencies have been converted into Canadian dollars at rates prevailing at the time of such transactions, except that current assets and current liabilities have been converted at the quoted rate of exchange at December 31, 1966.

2. **SUBSIDIARY COMPANIES.** It is not the policy of the Company to consolidate the accounts of subsidiary companies. All profits and losses of subsidiary companies have been reflected in the financial statements.

3. **INCOME TAXES.** As permitted under the Income Tax Act the Company has claimed for tax purposes to December 31, 1966, approximately \$25,000,000 more depreciation and deferred development expenditures than it has written off in the accounts. This practice has resulted in lower income taxes in this and preceding years, but it should be understood that the sum available for future deductions for income tax purposes as depreciation and deferred development write-offs is \$25,000,000 less than would appear from the balance sheet itself.

4. **CANADIAN NATIONAL RAILWAYS.** An agreement with Canadian National Railways with respect to the extension of the railroad from Sherridon to Lynn Lake provides for an annual payment to Canadian National Railways of \$350,000 for a period of 20 years ending on May 1, 1974. The agreement also provides for a refund to the Company calculated at \$2.65 per ton on all outgoing shipments in excess of 1,880,000 tons, to a maximum repayment of \$5,000,000. To December 31, 1966 the cumulative total of all outgoing shipments amounted to approximately 1,370,000 tons.

5. **UNSECURED NOTES PAYABLE.** During 1966, \$300,000 U.S. 6% unsecured notes due December 31, 1966 were repaid. An additional amount of \$1,350,000 U.S. due at the same time was

deferred to December 31, 1968 and the interest rate on outstanding unsecured notes was increased to 6¾%. At December 31, 1966, \$2,700,000 U.S. 6¾% unsecured notes were outstanding which are due \$1,350,000 U.S. December 31, 1967 and 1968.

6. **FIRST MORTGAGE BONDS.** Under the arrangements made in 1964 to finance the expansion of fertilizer facilities at Fort Saskatchewan, Alberta, the balance of \$1,900,000 U.S. 5½% First Mortgage Sinking Fund Bonds due 1972 were issued in 1966.

At December 31, 1966 details of outstanding First Mortgage Bonds and Sinking Fund payments were as follows:

1968 4¾% Sinking Fund Bonds			
Due May 1, 1967	.....	\$1,956,700 U.S.	
Due May 1, 1968	.....	1,956,700 U.S.	\$ 3,913,400 U.S.
1972 5½% Sinking Fund Bonds			
Due December 31, 1967	.....	1,200,000 U.S.	
Due December 31, 1968	.....	2,500,000 U.S.	
Due Dec. 31, 1969 to			
1972 inclusive at			
\$3,525,000 U.S. each			
year	.....	14,100,000 U.S.	17,800,000 U.S.
First Mortgage Bonds outstanding December 31, 1966			
			<u>\$21,713,400 U.S.</u>

Under the Indenture securing the First Mortgage Bonds the Company may not make a dividend distribution which would reduce working capital below \$9,000,000.

7. **CAPITAL.** During 1966, 12,000 shares of capital stock were issued at a price of \$4.50 per share under a stock option granted to an employee in 1961, which completed the option granted. Of the amount received, \$3.50 per share totalling \$42,000 was credited to contributed surplus.

There were outstanding at December 31, 1966 Share Purchase Warrants issued in 1956 to the Company's Bondholders entitling the holders to purchase 30,082 shares at a price of \$6.00 per share on or before May 1, 1968.

## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF SHERRITT GORDON MINES LIMITED:

We have examined the balance sheet of Sherritt Gordon Mines Limited as at December 31, 1966 and the statements of profit and loss, earned surplus and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying statements present fairly the financial position of the Company as at December 31, 1966 and the results of its operations and the source and use of its funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario, February 24, 1967.

DELOITTE, PLENDER, HASKINS & SELLS  
Chartered Accountants



## TEN - YEAR RECORD 1957 - 1966

### PRODUCTION

Year	Metal Production — Pounds —				Fertilizer Production Tons
	Total Nickel	Toll Nickel Included	Copper	Cobalt	
1957	22,487,147	2,419,780	9,495,989	172,053	96,422
1958	25,006,584	2,793,285	9,890,745	274,365	108,709
1959	25,097,375	284,645	10,341,365	314,343	117,878
1960	30,969,231	7,710,893	10,990,069	310,410	139,959
1961	26,480,386	4,474,811	11,251,881	191,043	137,761
1962	27,203,747	2,890,124	10,530,650	608,580	130,425
1963	23,930,561	2,959,379	11,977,903	607,511	166,828
1964	28,207,702	240,766	13,035,268	594,249	178,211
1965	25,790,422		12,391,743	530,137	214,281
1966	29,522,041	49,172	11,384,450	790,597	303,465

### PROFITS AND DIVIDENDS

Year	Revenue from Sales	Operating Profit	Earnings	Earnings Per Share	Dividends	Dividends Per Share
1957	20,658,006	9,030,724	5,475,625	48¢		
1958	20,644,641	6,916,878	3,234,041	29¢		
1959	20,156,171	5,925,593	2,370,320	21¢		
1960	24,987,704	7,806,918	3,751,835	33¢	2,833,329	25¢
1961	23,947,113	8,025,942	3,906,730	34¢	3,399,995	30¢
1962	23,646,665	5,723,158	2,048,159	18¢	1,699,998	15¢
1963	30,382,084	7,908,324	2,710,539	24¢	2,266,664	20¢
1964	35,361,286	9,566,883	5,001,611	44¢	2,266,664	20¢
1965	39,311,146	10,345,338	5,396,543	48¢	2,270,264	20¢
1966	44,306,597	9,654,927	3,759,722	33¢	2,272,663	20¢

### ORE PRODUCTION AND RESERVES

Year	LYNN LAKE				FOX LAKE		
	Tons Ore Milled	Tons	Ore Reserve % Nickel	% Copper	Tons	Ore Reserve % Copper	% Zinc
1957	833,443	13,640,000	1.06	0.56			
1958	892,423	14,600,000	0.90	0.48			
1959	988,541	14,158,000	0.96	0.54			
1960	1,151,419	14,300,000	0.92	0.53			
1961	1,219,157	14,000,000	0.92	0.54	4,600,000	1.78	2.82
1962	1,262,502	14,000,000	0.94	0.55	4,600,000	1.78	2.82
1963	1,346,192	11,916,000	0.96	0.58	4,600,000	1.78	2.82
1964	1,362,693	11,012,000	0.98	0.59	12,100,000	1.72	2.28
1965	1,363,583	12,600,000	0.84	0.49	12,269,000	1.74	2.35
1966	1,205,318	11,400,000	0.84	0.47	12,269,000	1.74	2.35

Commencing with the year 1965 the Lynn Lake ore reserve includes an allowance for dilution.



# SHERRITT GORDON MINES LIMITED

## MINING AND MILLING DIVISION

LYNN LAKE, MANITOBA

PETER A. CAIN, *Manager*  
J. C. FOLINSBEE, *Mine Superintendent*  
J. A. MACLELLAN, *Mill Superintendent*  
G. D. RUTTAN, *Exploration and Geology*

## METAL AND CHEMICAL DIVISION

FORT SASKATCHEWAN, ALBERTA

W. H. YOUNG, *Manager*  
C. A. HAMES, *Assistant Manager*

## RESEARCH AND DEVELOPMENT DIVISION

FORT SASKATCHEWAN, ALBERTA

V. N. MACKIW, *Director*  
T. W. BENZ, *Assistant Director*  
D. J. I. EVANS, *Assistant Director*

## MARKETING DIVISION

25 KING STREET WEST, TORONTO, ONTARIO

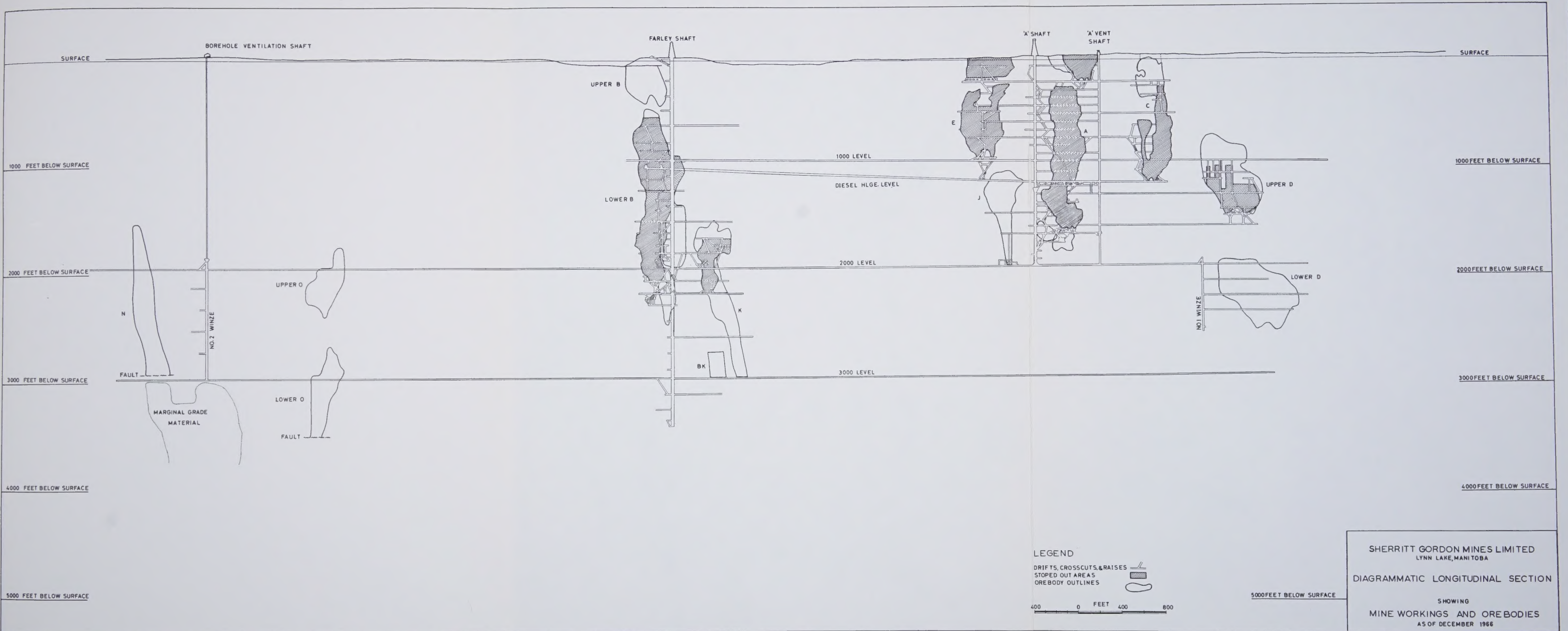
ALAN E. GALLIE, *Director*  
R. F. PEARCE, *Manager — Metallurgical Sales*  
J. A. FRASER, *Manager — Fertilizer Sales*

1 THORNTON COURT, EDMONTON, ALBERTA

## EXECUTIVE OFFICE

25 KING STREET WEST, TORONTO, ONTARIO





SHERRITT GORDON MINES LIMITED  
LYNN LAKE, MANITOBA

DIAGRAMMATIC LONGITUDINAL SECTION

SHOWING  
MINE WORKINGS AND OREBODIES  
AS OF DECEMBER 1966



